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Nugan Hand Aided U.S.

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WASHINGTON — The scandal-ridden Nugan Hand international banking group participated in at least two U.S. government covert action operations, and had stronger links to the U.S. intelligence community than was previously known.

That picture emerges from a report by the Australian government based on its three-year investigation into the affairs of Nugan Hand, and from more recent reporting by this newspaper, following three articles on the subject a year ago.

The Australian government report, released to Parliament in March, contains evidence that the banking group's executives were involved in a large weapons shipment to U.S. intelligence aided forces fighting a guerrilla war in Angola, and in the sale of an electronic spy ship to Iran by the U.S. Office of Naval Intelligence, in late 1975 or early 1976.

The report says that retired Rear Adm. Earl P. Yates, then president of the Nugan Hand Bank, urged a Central Intelligence Agency contract agent to threaten Haitian President Jean Claude Duvalier with an overthrow in 1979 as part of a bank project. (Adm. Yates declined to be interviewed, but said in a written statement that the overthrow threat wasn't proposed by him, but by a prospective bank client. He said he quickly rejected the idea. The reported CIA contract agent agrees with this.)

New Connection With CIA

And the *dramatis personae* listed in the Australian report as "individuals whose background is relevant to a proper understanding of the activities of the Nugan Hand group and people associated with that group" includes names newly connected with Nugan Hand—including that of Theodore Shackley, the former No. 2 in command of the CIA's clandestine services branch. (Mr. Shackley declined to be interviewed, but his attorney says Mr. Shackley was "formally advised" by an Australian detective who helped compile the report that he wasn't suspected of any illegalities.)

The Australian Government report is the fourth volume from a task force that began studying Nugan Hand because of its extensive dealings with international heroin syndicates.

Those dealings, and a wide picture of business fraud victimizing Americans and nationals of many other countries, were sketched in previous volumes.

The latest study, 193 pages, concerns suspicions that Nugan Hand was tied to U.S. intelligence. Those suspicions arose in part because Nugan Hand's top ranks contained many former high-ranking U.S. military and CIA officials.

The report avoids final conclusions, and offers summary statements on each side of the issue. On the one hand, it says that "it is the Task Force view that Nugan Hand was an entity unto itself, operated and controlled by the financial desires" of its operators. It says that "for the most part the U.S. personnel to whom greatest suspicion has been attached by the media and others . . . were connected with the group for a relatively short time only prior to its collapse in 1980." And it says that "if the CIA or any other intelligence organization had intended to use Nugan Hand as a cover for covert operations, it was a clumsy attempt and one would have expected a more professional effort from an intelligence organization."

'Serious Disquiet'

On the other hand, the report says, "there are a number of matters that give rise to serious disquiet . . . resulting from the relationship that some of the Nugan Hand group . . . had with persons of U.S. intelligence background." And it says, "At times those links appear to have been an intrinsic part of the then ongoing activity and have the appearance of the direct involvement of the U.S. intelligence community."

The bottom line is that a new Australian task force has been appointed, with broader powers, to delve further into Nugan Hand for at least the next year. There are also hints of prosecutions, because the report says large sections were withheld from public release because of active law enforcement investigations.

The report complains that the U.S. intelligence community refused to supply help or information for Australian investigators. It indicates that the investigators think some witnesses interviewed in the U.S. might have lied, but that the Australians lacked the means to compel truthfulness.

Lawrence Barcella, an assistant U.S. Attorney in Washington who has prosecuted former U.S. spies for illegal activities, says he and the FBI did arrange interviews for the Australians. Commenting on the report, he said, "We are trying to determine whether there is any violation of U.S. law or within the purview of U.S. jurisdiction, and thus far we haven't found anything."

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chael . . . was a former CIA contract agent in southeast Asia. Mr. Hand fled Australia in 1980 and his whereabouts aren't known.

The report says Mr. Hand was smuggled out of Australia by another former CIA operative, James Oswald Spencer, whom investigators found in Arizona. It says Mr. Spencer, who couldn't be located by this newspaper, declined to answer most questions but said he last saw Mr. Hand "several years ago" and that Mr. Hand "was in the CIA" at the time.

Both cases of Nugan Hand participation in U.S. covert activity uncovered by the Australians involve Edwin Wilson. Mr. Wilson was a CIA officer from 1955 to 1971, and then an undercover agent for Navy Task Force 157, a secret operation intended to spy on ocean traffic world-wide through shipping and trading companies set up as a front. His career has since become infamous, and he has been convicted twice of illegal arms sales to Libya.

CIA Contacts After 1976

Adm. Bobby Ray Inman, then head of Naval Intelligence and later deputy director of the CIA, has said he fired Mr. Wilson in April 1976 for improper business activities. He has said that Task Force 157 was disbanded in 1977 due to budget cuts, although many think the looming Wilson scandal was the real reason. The new Australian Government report suggests that Mr. Wilson dealt closely with high-ranking CIA officials during his Navy work and even after 1976.

The first covert action case documented in the report involves Mr. Hand's stay in South Africa from December 1974 to March 1976.

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